

## Message Text

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S/S - MR. SHANKLE

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C O N F I D E N T I A L STATE 048044

EXDIS/FOR RICHARD COOPER ONLY FROM FRANK

E.O. 11652: GDS

TAGS: ETRD

SUBJECT: U.S. COMMODITY POLICY PAPER FOR EPG

1. BELOW FOR YOUR INTEREST AND COMMENT IS THE TEXT OF  
THE EB-DRAFTED PAPER FOR MONDAY'S EPG MEETING.

BEGIN TEXT.

2. BASIC ELEMENTS:

-- THERE IS GENERAL AGREEMENT WITHIN THE US GOVERNMENT THAT  
COMMODITY POLICY MUST BE LOOKED AT COMPREHENSIVELY AND  
INCLUDE THE FOLLOWING MAJOR ELEMENTS: PRICE STABILITY,  
EXPORT EARNINGS STABILIZATION, TRADE PROMOTION, DEVELOP-  
MENT AND DIVERSIFICATION, AND INVESTMENT.

-- AS PART OF THE NEW ADMINISTRATION'S MORE FLEXIBLE  
APPROACH TO NORTH-SOUTH ISSUES, WE WILL EXPLORE IN AS  
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OPEN-MINDED AND POSITIVE A MANNER AS POSSIBLE THE POTEN-  
TIAL FOR PRICE STABILIZATION OF INDIVIDUAL COMMODITIES.  
THE GOAL IN ANY SUCH AGREEMENT MUST BE, IN OUR VIEW, THE  
STABILIZATION OF PRICES AROUND THE LONG-TERM MARKET TREND  
AND NOT INCREASES IN PRICES AS A MEANS TO TRANSFER

RESOURCES TO DEVELOPING COUNTRIES (SEE DISCUSSION OF  
COMMODITIES BELOW).

-- WHERE SUCH AGREEMENTS INVOLVE BUFFER STOCKS AND THE

U.S. PARTICIPATES IN SUCH AGREEMENTS, THE U.S. IS WILLING TO CONSIDER SHARING IN THE FINANCING OF SUCH STOCKS, ALTHOUGH WE HAVE NO PRE-COMMITMENT TO ANY PARTICULAR FORM OF FINANCIAL ARRANGEMENTS.

-- REGARDING COMMON FINANCIAL ARRANGEMENTS FOR AGREED BUFFER STOCKS, THE U.S. HAS NO "A PRIORI" OBJECTION TO A COMMON FUNDING MECHANISM, BUT WILL NOT COMMIT ITSELF TO ANY SUCH MECHANISM IN ADVANCE OF DECISIONS ON THE INDIVIDUAL COMMODITY AGREEMENTS ON BUFFER STOCKS. WE ARE PREPARED TO EXPLORE AND DEVELOP PROPOSALS ON A COMMON FUNDING MECHANISM IN PARALLEL WITH WORK ON INDIVIDUAL COMMODITIES AND HAVE SOME IDEAS ON HOW SUCH A MECHANISM MIGHT OPERATE (SEE OPTIONS BELOW).

-- THE U.S. FAVORS, IN PRINCIPLE, SOME EXTENSION OF CURRENT COMPENSATORY FINANCE ARRANGEMENTS TO STABILIZE LDC EXPORT EARNINGS (SEE OPTIONS BELOW).

### 3. INDIVIDUAL COMMODITIES:

-- INTENSIVE EXAMINATION OF THE EIGHTEEN COMMODITIES SPECIFIED IN THE MAY 1976 UNCTAD IV RESOLUTION AND OTHERS AS WELL SHOWS THAT A NUMBER OF THESE APPEAR TO HAVE POSSIBILITIES FOR INTERNATIONALLY AGREED STABILIZATION MEASURES, INCLUDING IN SOME CASES BUFFER STOCKS, IN WHICH CONFIDENTIAL

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THE U.S. COULD CONSIDER PARTICIPATING. THE DETAILS, AND IN SOME CASES THE CHOICE OF THE PARTICULAR MEASURES THEMSELVES STILL NEED FURTHER ANALYSIS. THIS ANALYSIS IS NOW TAKING PLACE EITHER IN THE INDIVIDUAL INTERNATIONAL ORGANIZATIONS FOR THESE COMMODITIES OR AS PART OF THE UNCTAD IV RESOLUTION EXERCISE SCHEDULED TO BE COMPLETED BY FEBRUARY 1978.

-- THE U.S. ALREADY PARTICIPATES IN TWO FORMAL INTERNATIONAL COMMODITY AGREEMENTS, COFFEE AND TIN.

-- THE TIN AGREEMENT MAY NOW BE IN DIFFICULTY BECAUSE OF BOLIVIAN REFUSAL TO RATIFY IT, BUT ONE MAJOR QUESTION THE U.S. COULD ADDRESS (WHICH HAS BEEN RAISED BY THE BOLIVIANS AND OTHER TIN-PRODUCING COUNTRIES) IS WHETHER WE AND OTHER CONSUMERS SHOULD HELP FINANCE THE BUFFER STOCK; WE ARE NOW EXAMINING THIS QUESTION WITHIN THE USG AND WILL MAKE A RECOMMENDATION SHORTLY.

-- INTERNATIONAL NEGOTIATIONS ON A NEW SUGAR AGREEMENT ARE SCHEDULED TO BEGIN IN APRIL, AND THE U.S. SHOULD PARTICIPATE ACTIVELY AND POSITIVELY WITH A VIEW TO ARRIVING AT AN INTERNATIONALLY ACCEPTABLE ARRANGEMENT WHICH WILL HELP STABILIZE SUGAR PRICES. RUBBER PRODUCERS HAVE

RECENTLY AGREED ON A BUFFER STOCK SCHEME TO STABILIZE PRICES AND THE U.S. RESPONSE, WHEN THIS IS PRESENTED TO THEM FORMALLY, SHOULD BE POSITIVE IN PRINCIPLE. HILE EXAMINING CAREFULLY THE DETAILS OF SUCH A SCHEME. COPPER IS A MUCH MORE DIFFICULT COMMODITY FOR US, BOTH BECAUSE OF THE LARGE DOMESTIC PRODUCTION INVOLVED, BUT ALSO BECAUSE OF THE HEAVY EXPENSES (\$2-3.5 BILLION) WHICH AN EFFECTIVE BUFFER STOCK SCHEME WOULD INVOLVE; NEVERTHELESS, IT IS THE ONLY MAJOR COMMODITY WITHOUT AN INTERNATIONAL ORGANIZATION WHERE PRODUCERS AND CONSUMERS MEET, AND ONE OF THE CANDIDATES FOR SERIOUS TALKS TO ARRIVE AT MUTUALLY ACCEPTABLE PRICE STABILIZATION MEASURES.  
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-- TEA IS ANOTHER TROPICAL PRODUCT WHICH THE U.S. SHOULD EXAMINE CAREFULLY WITH OTH COUNTRIES IN AN OPEN-MINDED MANNER TO DETERMINE WHETHER PRICE STABILIZATION MEASURES ARE POSSIBLE. BUFFER STOCKS SEEM OUT OF THE QUESTION, BUT OTHER MEASURES ARE POSSIBLE.

-- SOME PRODUCTS SUCH AS BANANAS AND JUTE MAY ALSO BE GOOD CANDIDATES FOR AGREEMENTS WHICH EMPHASIZE MEASURES SUCH AS DIVERSIFICATION, MARKETING, ETC., BUT RELATED TO PRICE STABILIZATION.

#### 4. COMMON FINANCIAL ARRANGEMENTS FOR BUFFER STOCK FINANCING:

-- THERE ARE AT LEAST THREE MAJOR OPTIONS WHICH THE U.S. COULD CONSIDER TO TIE TOGETHER FINANCING ARRANGEMENTS FOR INDIVIDUAL BUFFER STOCKS (INCLUDING INTERNATIONALLY COORDINATED, NATIONALLY HELD STOCKS). OUR BASIC ASSUMPTION HERE IS THAT THE BULK OF ALL OF FINANCING MUST COME FROM THE ORIGINAL AGREEMENTS BETWEEN PRODUCERS AND CONSUMERS OF THE COMMODITY INVOLVED, THUS RULING OUT THE UNCTAD VERSION OF A COMMON FUND, WHICH EMPHASIZES THE COMMON FUND AS THE PRIMARY SOURCE OF FINANCING.

-- THE MILDEST VERSION OF COMMON FUNDING WOULD BE A CLEARINGHOUSE ARRANGEMENT, WHERE ONE BUFFER STOCK COULD LEND ITS EXCESS FUNDS TO ANOTHER. UNDER THIS ARRANGEMENT, EACH BUFFER STOCK WOULD HAVE A VETO OVER THE USE OF ITS CONTRIBUTION, EVEN IF THESE WERE DEPOSITED IN A CENTRAL FUND.

-- A SECOND OPTION WOULD BE A POOLING ARRANGEMENT, WHERE ALL FUNDS OF INDIVIDUAL BUFFER STOCK ORGANIZATIONS WOULD BE DEPOSITED IN A CENTRAL FACILITY. THIS FACILITY WOULD THEN GUARANTEE ACCESS OF EACH INDIVIDUAL BUFFER STOCK UP  
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TO AT LEAST THE AMOUNT OF FUNDS THE ORGANIZATION HAD  
ORIGINALLY DEPOSITED WITH IT. IF IT WERE CLEAR THAT  
VARIATIONS IN PRICE CYCLES OF THE COMMODITIES MAKING UP  
THE DEPOSITORS ALLOWED SOME OF THE FUNDS DEPOSITED TO BE  
UNUTILIZED, THE CENTRAL FUND COULD ALSO AUTHORIZE OVER-  
DRAFT FACILITIES TO THESE INDIVIDUAL BUFFER STOCK ORGANI-  
ZATIONS BY AN AMOUNT PREVIOUSLY CALCULATED AND AGREED.  
ALTERNATIVELY -- AND IN OUR VIEW NOT TO BE RECOMMENDED --  
THE CENTRAL FUND COULD HAVE THE AUTHORITY TO DISPOSE OF  
THE EXCESS FUNDS AVAILABLE AS IT WISHED, THUS GIVING IT  
SOME LATITUDE (THIS IS CLOSE TO THE FRENCH PROPOSAL MADE  
AT NAIROBI).

-- A THIRD OPTION WOULD BE A POOLING-PLUS ARRANGEMENT,  
I.E., CHIEFLY CONTRIBUTIONS FROM THE INDIVIDUAL BUFFER  
STOCK ARRANGEMENTS, BUT SUPPLEMENTED BY DIRECT CONTRIBU-  
TIONS TO THE CENTRAL FUND ITSELF BY COUNTRIES AND/OR  
INTERNATIONAL FINANCIAL ORGANIZATIONS SUCH AS THE WORLD  
BANK. THIS ARRANGEMENT WOULD BE THE BEST MEANS FOR ASSUR-  
ING CONTRIBUTIONS BY THE OPEC COUNTRIES, WHICH ARE NEITHER  
MAJOR PRODUCERS NOR CONSUMERS. THIS COULD ALLOW EXPANDED  
OVERDRAFT PRIVILEGES FOR THE INDIVIDUAL BUFFER STOCK  
ORGANIZATION. ALTERNATIVELY, THE CENTRAL FUND COULD BE  
GIVEN AUTHORITY OVER THESE FUNDS, WHICH WOULD THEN BECOME  
FURTHER MEANS FOR INDEPENDENT ACTION (POSSIBLY CONTRIBU-  
TIONS TO INDIVIDUAL BUFFER STOCK AGREEMENTS WHICH THE  
U.S. OR OTHERS WAS NOT A MEMBER). IT ALSO RAISES THE  
KNOTTY PROBLEM OF ASSIGNING VOTING SHARES TO THE CENTRAL  
FUND TO REFLECT THE CONTRIBUTIONS MADE.

-- A SEPARATE AND HIGHLY IMPORTANT QUESTION INVOLVING A  
CENTRAL FINANCIAL MECHANISM IS THE QUESTION OF WHERE IT  
SHOULD BE LOCATED INSTITUTIONALLY. ONE OPTION WOULD BE  
TO LOCATE IT WITHIN THE LDC-DOMINATED ORGANIZATION NOW  
ADVOCATING ITS CREATION, I.E., UNCTAD. ALTERNATIVELY,  
IT COULD BE LOCATED WITHIN THE IMF, AN ORGANIZATION  
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BASICALLY DOMINATED BY DEVELOPED COUNTRIES BUT WHICH  
TRADITIONALLY HAS NOT ENGAGED IN ACTIVITIES OF THE KIND  
CONTEMPLATED BY THE FUND. IT COULD ALSO BE LOCATED WITHIN  
THE WORLD BANK COMPLEX, POSSIBLY AS A SEPARATE WINDOW,  
ALTHOUGH AS NOTED IN THE BEGINNING OF THIS PAPER IT IS  
NOT CONTEMPLATED BY THE U.S. AS A RESOURCE TRANSFER  
MECHANISM. A FINAL POSSIBILITY IS THAT IT COULD BE CREATED  
AS A FULLY INDEPENDENT ORGANIZATION, WITHOUT INSTITUTIONAL

TIES. ALL OF THESE OPTIONS WILL HAVE SOME IMPACT ON THE  
VOTING ARRANGEMENTS WITHIN SUCH A FUND, I.E., THE QUESTION  
OF CONTROL.

5. COMMODITY AND RESOURCE INVESTMENT:

-- SEVERAL ASPECTS OF LDC COMMODITY AND NATURAL RESOURCE PROBLEMS ENTAIL INCREASED INVESTMENT: IN PARTICULAR

- INVESTMENT TO PROVIDE ALTERNATIVE EXPORT AND EMPLOYMENT POSSIBILITIES FOR LDC'S HEAVILY DEPENDENT ON STRUCTURALLY DECLINING COMMODITIES, E.G., HARD FIBERS AND JUTE IN BANGLADESH;

- LONG-TERM CAPITAL FOR INFRASTRUCTURE RELATED TO, AND IN SOME CASES PRODUCTION OF, MINERALS;

- SOME CAPITAL ( AND MORE PLANNING AND POLICY ADVICE) FOR ENERGY DEVELOPMENT IN LDC'S WHICH ARE NOW HEAVILY DEPENDENT ON OIL IMPORTS.

-- ADDITIONAL FINANCING FOR THESE PURPOSES WOULD BE -- AND BE PERCEIVED AS -- A SIGNIFICANT RESPONSE TO LDC NEEDS. YET THERE ARE DISADVANTAGES TO SETTING UP NEW FUNDS FOR THESE PURPOSES.

-- THE RIGHT APPROACH MAY BE TO COMBINE THE MAJOR INDUS-  
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TRIAL COUNTRIES' INITIAL DECISION TO SUPPORT A GENERAL INCREASE IN THE WORLD BANK'S CAPITAL WITH CLEAR IDENTIFICATION OF THE ABOVE PRIORITIES AS AMONG THE MAJOR PURPOSES FOR WHICH AN INCREASE IN BANK LENDING IS REQUIRED. THIS DECISION COULD BE ANNOUNCED AT THE TIME OF THE SUMMIT OR THE CIEC MINISTERIAL. THE MAGNITUDE OF THE GENERAL CAPITAL INCREASE, WHILE CLEARLY SUBSTANTIAL, WOULD BE LEFT OPEN AND SETTLED OVER NEGOTIATIONS IN THE WORLD BANK DURING 1977 AND EARLY 1978.

-- OUR PROPOSAL FOR AN INTERNATIONAL RESOURCES BANK (IRB) TO FACILITATE INVESTMENT IN RESOURCE PROJECTS IS PRESENTLY UNDER STUDY BY THE WORLD BANK, WHICH IS ELABORATING THE PROPOSAL WITH A VIEW TO INCORPORATING IRB FUNCTIONS IN THE WORLD BANK GROUP. THE IBRD-IMF DEVELOPMENT COMMITTEE WILL REVIEW THE WORLD BANK'S PROPOSAL AT ITS APRIL 1977 MEETING.

6. OPTIONS FOR EXPANDING COMPENSATORY FINANCING:

-- THE CHIEF ADVANTAGE OF EXPANDING COMPENSATORY FINANCING TO OFFSET DOWNWARD FLUCTUATIONS IN LDC EXPORT EARNINGS IS THAT IT OPERATES THROUGH INCOME MECHANISMS RATHER THAN MARKET INTERVENTION. THERE ARE TWO MAJOR APPROACHES THAT COULD BE USED TO INCREASE COMPENSATORY FINANCING: (1) LIBERALIZATION OF THE IMF COMPENSATORY FINANCING FACILITY TO MEET SOME OF THE LDC DEMANDS OR (2) CREATION OF A MORE

DIRECTLY-RELATED COMMODITY COMPENSATION SCHEME THROUGH (A) INJECTION OF A COMMODITY-RELATED COMPENSATORY FINANCING FEATURE INTO THE IMF TRUST FUND, COUPLED WITH AN EXPANSION OF THE TRUST FUND'S RESOURCES OR (B) GLOBALIZATION AND EXPANSION OF THE EUROPEAN COMMUNITY'S STABEX SCHEME.

#### I. IMF COMPENSATORY FINANCING FACILITY

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-- THE FACILITY PROVIDES LOANS TO IMF MEMBERS SUFFERING SHORTFALLS IN "OVERALL EXPORT EARNINGS" FOR REASONS BEYOND THEIR OWN CONTROL. ACCESS IS LIMITED BY BALANCE OF PAYMENTS NEED AND CANNOT EXCEED 50 PERCENT OF A MEMBER'S IMF QUOTA IN A 12-MONTH PERIOD, NOR 75 PERCENT OVERALL. MAJOR LIBERALIZATION OCCURRED IN LATE DECEMBER 1975 AS A RESULT OF A U.S. INITIATIVE. LENDING INCREASED TO ABOUT \$2.6 BILLION IN 1976, COMPARED WITH ONLY \$275 MILLION IN 1975.

-- THE LDC'S IN THE MANILA DECLARATION HAVE RECOMMENDED A NUMBER OF ADDITIONAL LIBERALIZATION MEASURES: (A) CALCULATION OF SHORTFALLS IN REAL TERMS, (B) RELAXATION OR ABOLISHMENT OF THE QUOTA LIMITS, (C) REPAYMENTS ONLY FOR "OVERAGES," JUST AS DRAWINGS ARE NOW TRIGGERED BY "SHORTFALLS," (D) CHOICE OF BASING SHORTFALL CALCULATIONS ON TOTAL COMMODITY EARNINGS, OR TOTAL MERCHANDISE EXPORTS, OR SERVICES, OR ON ALL CURRENT ACCOUNT RECEIPTS, AND THE RIGHT TO DRAW AGAINST THE SHORTFALL WITHOUT "BASING CLAIMS ENTIRELY ON BALANCE OF PAYMENTS CRITERIA," (E) COMPENSATION FOR INCREASED IMPORT VOLUMES DUE TO CLIMATIC OR OTHER FACTORS BEYOND A COUNTRY'S OWN CONTROL, AND (F) DRAWINGS IN THE FORM OF GRANTS IN SOME CASES.

-- THE IMF EXECUTIVE DIRECTORS WILL REVIEW THE FACILITY'S OPERATION BEGINNING MARCH 11. THE IMF STAFF IS ONLY RECOMMENDING A FEW TECHNICAL CHANGES, BUT DOES DISCUSS FAVORABLY THE POSSIBILITY OF COMPENSATING FOR SHORTFALLS IN REAL TERMS. THE MAJOR RESTRAINTS ON FURTHER ACCESS TO THE PRESENT FACILITY ARE THE QUOTA LIMITS. WE COULD

INITIATE THEIR RELAXATION AS WELL AS ACCEPT OTHER CHANGES REQUESTED BY THE LDC'S IN THE MANILA DECLARATION. THIS COULDBE INTERPRETED AS AN IMF-BASED SUBSTITUTE FOR THE COMMON FUND.

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THIS WOULD INCREASE SUBSTANTIALLY THE LDCS POTENTIAL ACCESS TO IMF COMPENSATORY LOANS. ALTHOUGH IT WOULD MEET MANY LDC DEMANDS, IT WOULD STILL KEEP THE MATTER UNDER IMF SUPERVISION WHERE SOME CONDITIONALITY CAN BE IMPOSED. ON THE OTHER HAND, IT WOULD PLACE A MAJOR POTENTIAL STRAIN ON CURRENTLY LIMITED IMF RESOURCES AND REQUIRE SERIOUS CONSIDERATION OF WHERE THE ADDITIONAL RESOURCES WOULD COME FROM. IT WOULD ALLOW BORROWERS TO SKIRT REGULAR IMF CREDIT TRANCHE DRAWINGS WHICH ASSURE MORE CONDITIONALITY. LDCS MIGHT STILL PREFER LASTING INCOME TRANSFERS THROUGH HIGHER EXPORT PRICES RATHER THAN LOANS WHICH MUST BE PAID BACK (ALTHOUGH GRANTS TO THE POOREST COULD SOFTEN THIS CONCERN).

## II. (A) IMF TRUST FUND

THE TRUST FUND PROVIDES HIGHLY CONCESSIONAL LOANS TO THE POOREST IMF MEMBERS (LESS THAN ABOUT 350 DOLS P.C.I.) USING PROFITS FROM SALES OF IMF GOLD. THE U.S. EARLIER INITIATED THE IDEA OF PLACING A COMPENSATORY FINANCING FEATURE IN THE TRUST FUND WHERE ELIGIBLE BORROWERS WITH A SHORTFALL IN EARNINGS ON A SELECTED LIST OF COMMODITIES COULD BORROW ADDITIONAL COMPENSATORY FINANCING ON FAVORABLE TERMS. THE IDEA DID NOT CATCH ON WITH THE LDCS PARTLY BECAUSE IT OFFERED NO CORRESPONDING INCREASE IN EXISTING TRUST FUND RESOURCES. WE COULD REINITIATE OUR PROPOSAL, BUT PROVIDE FOR ADDITIONAL RESOURCES THROUGH GOVERNMENT CONTRIBUTIONS UTILIZING RESTITUTED IMF GOLD OR ITS EQUIVALENT AND/OR NON-GOLD RELATED AMOUNTS FROM APPROPRIATED FUNDS.

## PROS AND CONS

THIS WOULD ALLOW FOR ADDITIONAL COMPENSATORY FINANCING  
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ON CONCESSIONAL TERMS TO THE POOREST COUNTRIES. IT LINKS LOANS TO EARNINGS ON A COMMODITY BASKET RATHER THAN OVERALL EXPORT EARNINGS AND THEREFORE IS GEARED MORE DIRECTLY TO LDC QUOTE COMMODITY UNQUOTE DEMANDS. ON THE OTHER HAND, THE DEPENDENCE ON GOLD SALES (IF THE MAJOR SOURCE OF FINANCING) MIGHT LIMIT THE SCOPE OF OPERATIONS. CONGRESSIONAL AUTHORIZATION WOULD PROBABLY BE REQUIRED IN THE U.S. CASE, EVEN IF AN APPROPRIATED CONTRIBUTION WAS NOT NECESSARY. IT WOULD NOT GIVE ADDITIONAL HELP TO THE LDCS AT MIDDLE AND HIGHER INCOME LEVELS.

## II. (B) STABEX

THE EUROPEAN COMMUNITY'S LOME CONVENTION (STABEX)

SCHEME FOR EXPORT EARNINGS STABILIZATION PROVIDES FOR  
LOANS OR GRANTS TO THE LESS DEVELOPED AND TO 49  
EC-ASSOCIATED LDCS WHEN THEIR EXPORT EARNINGS ON ANY  
OF 11 COMMODITIES AND IRON ORE FALL BELOW THE TREND IN  
THE FOUR PREVIOUS YEARS BY MORE THAN A CERTAIN PERCENT.  
A LIMITED AMOUNT (ABOUT 465 MILLION DOLS) HAS BEEN  
BUDGETED FOR THE SCHEME OVER FIVE YEARS. WE COULD  
EXPRESS A WILLINGNESS TO CONSIDER PROPOSALS TO  
QUOTE GLOBALIZE UNQUOTE THIS TYPE OF SCHEME AND EXPAND  
ITS COVERAGE TO MORE COMMODITIES.

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THE EUROPEANS WOULD FIND IT EASY TO SUPPORT WITH POSSIBLE  
EXCEPTION OF THE GERMANS. (THEY WOULD SEEK, HOWEVER, TO  
GET CREDIT FOR WHAT THEY ARE ALREADY DOING UNDER THEIR  
EXISTING SCHEME AND MINIMIZE FURTHER COSTS TO  
THEMSELVES.) TOTAL RESOURCES AVAILABLE COULD BE LIMITED  
TO A FIXED AMOUNT, AS WITH THE PRESENT STABEX. IT  
WOULD RELATE DIRECTLY TO EARNINGS ON INDIVIDUAL  
COMMODITIES RATHER THAN TO OVERALL EXPORT EARNINGS OR EVEN  
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TO A BASKET OF COMMODITIES. ON THE OTHER HAND, THE  
SCHEME WOULD REQUIRE CONGRESSIONAL AUTHORIZATION AND  
APPROPRIATIONS AND WOULD LEAD TO RECURRING LDC PRESSURES  
FOR REPLENISHMENT. IT WOULD WORK OUTSIDE THE IMF  
FRAMEWORK AND THEREFORE SKIRTS BALANCE OF PAYMENTS NEED,  
IMF QUOTA LIMITS AND MANDATORY REPAYMENT SCHEDULES.

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